

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 COME-00 L-03 FEA-01

OES-03 CIAE-00 INR-07 NSAE-00 INT-05 AGR-05 OC-05

CCO-00 /081 W

----- 024943

P 031020Z FEB 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC PRIORITY 3855

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E.O. 11652: N/A

TAGS: EAID, ENRG, TC

SUBJ: PROPOSED PARSKY LETTER TO UAE OFFICIALS

REF: STATE 23430

1. I HAVE JUST RETURNED FROM OUT OF TOWN TRIP DURING WHICH REFTTEL,
PROPOSING LETTER TO MINISTERS OTAIBA AND SUWAIDI ON US-UAE
ECONOMIC RELATIONS, WAS HELD FOR ME.

2. LETTER STRIKES ME AS GOOD IDEA, DEMONSTRATING CONTINUED INTEREST
ON OUR PART AND ALSO SERVING AS WELL-TIME PRELUDE TO VISIT BY SECRETARY

SIMON NEXT MONTH. I PARTICULARLY WELCOME PARAGRAPH STRESSING OPPOR-
TUNITIES IN TECHNICAL ASSISTANCE.

3. HOWEVER, THERE HAVE BEEN NUMBER OF RECENT DEVELOPMENTS WITH
RESPECT TO SPECIFIC PROJECTS DISCUSSED. I BELIEVE LETTER WOULD
SERVE OUR PURPOSES BETTER IF IT INCORPORATED CERTAIN CHANGES.

(A) ON FERTILIZER PLANT, ABU DHABI NATIONAL OIL COMPANY SEEMS
TO HAVE BEEN GIVEN GREEN LIGHT BY ADG TO PURSUE THIS PROJECT, WITH
OTAIBA'S MINISTRY SOMEWHAT OUT OF PICTURE. ADNOC IS NOW
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ACTIVELY NEGOTIATING WITH US FIRM--N-REN CORPORATION--WHICH

APPEARS TO HAVE INSIDE TRACK ON PROJECT. I BELIEVE WE SHOULD SAY NOTHING IN THESE LETTERS THAT MIGHT INTERFERE WITH N-REN'S CHANCES OF GETTING CONTRACT. IF THEY FAIL TO MAKE CONNECTION, WE CAN REOPEN SUBJECT IN CONTEXT US-UAE RELATIONS AT LATER TIME.

(B) ON GAS PROJECT, LATEST INFORMATION IS THAT ABU DHABI PETROLEUM GROUP HAS COME IN AGAIN WITH NEW OFFER, AND WE UNDERSTAND US FIRMS ARE TAKING LEAD IN KEEPING CONSORTIUM INTEREST ALIVE. IN VIEW OF THIS I BELIEVE THERE IS LITTLE USG CAN OR SHOULD DO WITH MAJORS AT THIS TIME. IN MEANTIME ADNOC, SKEPTICAL THAT JOINT VENTURE CAN BE WORKED OUT BY MAJORS, IS PURSUING PROJECT ON SOLE RISK BASIS. COMPETITION FOR DESIGN AND ENGINEERING TENDERS HAS NOW NARROWED TO SIX FIRMS, THREE OF WHICH ARE AMERICAN. AGAIN, IN SPITE OF FACT OTAIBA

RAISED THIS SPECIFIC PROJECT WITH PARSKY, I BELIEVE THERE IS LITTLE OF

PRACTICAL NATURE THAT WE CAN DO AT WASHINGTON END AT THIS JUNCTURE. I RECOMMEND, HOWEVER, THAT IN VIEW OF MAGNITUDE OF PROJECT, SECRETARY SIMON USE OPPORTUNITY OF HIS MEETING WITH SHAIKH ZAYID TO EXPRESS OUR HOPE THAT US FIRMS CAN BE GIVEN LEADING ROLE IN THIS PROJECT.

(C) ON BOTH STEEL AND POWER/WATER PROJECTS THERE HAVE BEEN SOME RECENT DEVELOPMENTS WHICH SUGGESTED ALTERNATIVE LANGUAGE BELOW TAKES INTO ACCOUNT.

(D) WITH RESPECT TO PARA ABOUT EXPEDITING SUPPLIES, I DO NOT MYSELF RECALL THAT OTAIBA PICKED UP THIS OFFER IN ANY SPECIFIC SENSE AND CERTAINLY WE HAVE HAD NO SUBSEQUENT INDICATION OF INTEREST FROM UAE OFFICIALS IN THIS PARTICULAR CATEGORY OF ASSISTANCE. ALTHOUGH OFFER CAN AGAIN BE MENTIONED DURING SIMON VISIT, I THINK IT BEST TO LEAVE IT OUT OF LETTER.

(E) FINALLY, I BELIEVE LETTER AS GIVEN REFTEL LEAVES IT SOMEWHAT LESS CLEAR THAN WE OUGHT TO BE ABOUT CHANNEL OF COMMUNICATIONS WE WANT USED. WE OBVIOUSLY DO NOT WANT TO CUT UAE EMBASSY OUT OF PICTURE COMPLETELY BUT I BELIEVE IT INVITES CONFUSION AND TROUBLE NOT ONLY FOR OUR OWN EFFORTS BUT ALSO FOR US FIRMS WHO MAY HAVE SOMETHING GOING HERE IF WE DO NOT INDICATE THAT US EMBASSY IN ABU DHABI SHOULD BE MAIN CHANNEL OF COMMUNILIMITED OFFICIAL USE

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CATIONS. I HAVE THEREFORE SUGGESTED INSERTION OF SENTENCE TO MAKE THIS POINT.

4. TEXT OF LETTER WOULD BE AS FOLLOWS: PARAS 1 AND 2 AS THEY ARE. PARA 3 QUOTE WHILE CONTACTS WITH YOUR GOVERNMENT THROUGH YOUR EMBASSY IN WASHINGTON WOULD ALSO BE WELCOME AT ANY TIME, I BELIEVE IT WILL BE MOST EFFECTIVE TO MAKE THE U.S. EMBASSY IN ABU DHABI THE PRINCIPAL CHANNEL OF COMMUNICATIONS FOR THE EXCHANGES

WE WILL HAVE. THE EMBASSY IS PROBABLY IN THE BEST POSITION TO KEEP CLOSELY IN TOUCH WITH BOTH THE GENERAL PLANNING PROCESS AS WELL AS THE PROGRESS OF INDIVIDUAL PROJECTS IN THE UAE.

5. PARAS 4 AND 5 AS THEY ARE. REST OF LETTER AS FOLLOWS:

QUOTE IN OUR LAST MEETING YOU INDICATED YOUR WILLINGNESS TO EXPLORE WITH US THE POSSIBILITIES FOR THE PARTICIPATION OF US FIRMS IN A NUMBER OF PROJECTS OF IMPORTANCE TO YOUR GOVERNMENT. WITH THE HELP OF THE EMBASSY'S REPORTING WE HAVE ATTEMPTED TO FOLLOW THESE PROJECTS WITH A VIEW TO BEING OF ASSISTANCE WHERE POSSIBLE. WE HAVE RECEIVED THE SET OF FEASIBILITY STUDIES FOR THE FERTILIZER PLANT AND STEEL MILL THAT YOU GAVE OUR EMBASSY. WITH RESPECT TO THE STEEL PLANT, I UNDERSTAND THAT YOUR GOVERNMENT IS NOW CONSIDERING CONDUCTING AN INDEPENDENT FEASIBILITY STUDY OF THIS PROJECT. WE HAVE BEEN IN CONTACT WITH REPRESENTATIVES OF THE US STEEL INDUSTRY AND HAVE FOUND THAT UNITED STATES STEEL IS DEFINITELY INTERESTED. YOUR GOVERNMENT SHOULD BE HEARING FROM THEM SHORTLY.

6. QUOTE ON THE FERTILIZER PLANT, IT IS OUR UNDERSTANDING THAT THE FEASIBILITY OF DOING THIS PROJECT AS A JOINT VENTURE WITH INDIA IS BEING RESTUDIED, AND THAT IN THE MEANTIME THE ABU DHABI NATIONAL OIL COMPANY IS IMPLEMENTING A FERTILIZER PLANT PROJECT. I AM PLEASED TO HEAR THAT NEGOTIATIONS WITH A HIGHLY QUALIFIED US FIRM IN THIS FIELD ARE WELL ADVANCED.

7. QUOTE IN ORDER THAT WE MAY BE ABLE TO MOBILIZE THE US GOVERNMENT MACHINERY TO ASSIST YOUR GOVERNMENT IN FUTURE WATER AND POWER DEVELOPMENT, ANOTHER AREA WHICH WE TALKED ABOUT DURING MY VISIT, I WILL NEED MORE DETAILED INFORMATION ABOUT THESE PROJECTS. WE HAVE RECENTLY RECEIVED PRELIMINARY INFORMATION ABOUT A FEDERAL DESALTING/POWER PROJECT FOR THE NORTHERN EMIRATES, AND I WILL ENDEAVOR TO ENCOURAGE AS WIDE AN LIMITED OFFICIAL USE

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INTEREST AS POSSIBLE AMONG US FIRMS IN THIS PROJECT. WE WOULD ALSO APPRECIATE KNOWING MORE ABOUT THE STATUS OF THE MAJOR DESALTING/POWER PROJECT WHICH WE UNDERSTAND IS BEING PLANNED FOR THE EMIRATE OF ABU DHABI.

8. QUOTE ANOTHER AREA OF INTEREST MENTIONED BY YOU DURING MY LAST VISIT WAS THE ON-SHORE GAS PROJECT. I HAVE HAD SOME DISCUSSIONS WITH EXXON OFFICIALS BUT HAVE NOT PURSUED THESE IN THE LIGHT OF INFORMATION THAT THE CONSORTIUM PARTNERS ARE STILL INTERESTED AND ARE CONTINUING THEIR DISCUSSIONS WITH YOUR GOVERNMENT ABOUT THE PROJECT. HOWEVER, I REMAIN READY TO TRY TO ASSIST IN ANY SPECIFIC WAY THAT YOU WISH.

9. QUOTE I WOULD APPRECIATE YOUR GENERAL COMMENTS ON THE PROPOSED INFORMAL COORDINATING ARRANGEMENT FOR US-UAE ECONOMIC AND FINANCIAL

COOPERATION. AS SECRETARY SIMON MENTIONED TO YOU WHEN YOU WERE IN
WASHINGTON, WE WOULD LIKE TO DEVELOP THE BEST MECHANISM
FOR DEVELOPING CLOSER ECONOMIC AND FINANCIAL TIES BETWEEN OUR
COUNTRIES. I WOULD WELCOME YOUR THOUGHTS AND LOOK FORWARD
TO SEEING YOU AGAIN SOON. SINCERELY YOURS, GERALD L. PARSKY
UNQUOTE.
STERNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, TECHNICAL ASSISTANCE, DIPLOMATIC COMMUNICATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ABUDH00273
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760040-0406
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760290/aaaadarb.tel
Line Count: 176
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 23430
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUN 2004 by BoyleJA>; APPROVED <30 JUN 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED PARSKY LETTER TO UAE OFFICIALS
TAGS: EAID, ENRG, TC, (PARSKY, GERALD L)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006